

## ECOLOGICAL INSURANCE AS A NEW ECOLOGICAL-ECONOMICAL INSTRUMENT FOR ENVIRONMENTAL PROTECTION IN CHINA

**Leonid Melnyk, Rui Li**

*Sumy State University, Sumy, Ukraine*

The China today entered into the new path of economic development, which is associated with huge pollution of surrounding environment. Currently the economic consequence of pollution (economic damage) is estimated at 120 billions yuan, which is approximately \$17, 14 billions. The main bulk of the pollution is compensated by government and polluters. Out of 7555 large chemical enterprises 81% are located in the river basins or in highly populated regions; in addition to that, about half of the chemical firms are high risk enterprises. For example, the China had 108 serious pollution accidents in 2007, and the affected organisations (people) could not receive compensation in proper time. That situation was not acceptable and some proper changes were needed.

At the end of the last century some insurance companies in China started to implement the system of “green insurance”. First steps on implementing “green insurance” were done in city Dalian (the city introduced the system of pollution liability insurance); later on other cities (Shenyang, Changchun and Jilin) started introduce different types of these insurances. Actually first experiments did not have much support, because many enterprises considered this type of insurance to be not economically sound due to the high insurance charges low rates of compensations. On those days the level of compensation was about 5.7%, which is much less than in other kind of insurance. On average the rate of compensation in China was about 50% and similar rates in other countries were about 70-80%. On the other hand the insurance contributions were 8% of possible economic damage. Having this information in mind it is possible to claim that low rates of compensation and high insurance fee negatively affected the development of green insurance in China. The legislative system of surrounding environment protection was not sound yet, and compliance of the laws was not good enough.

Some positive changes happened in 2007, when China State committee on Natural protection and State Committee on Industrial insurance proposed “Recommendations on how to insurance the pollution damages”. The above mentioned document started the development of Chinas “green insurances”. According to the “Recommendations on how to insurance the pollution damages” it was necessary to create the pollution liability system during the eleventh 5-year plan (2006-2010).

Having accepted the new program of ecological insurances in China the provinces of Hunan, Hubei, and cities of Shenyang, Changchun and Ningbo were chosen for approbation the program. The received results were more than economically sound. Thus, in Hunan 7 out of 18 experimental enterprises are using the system of green insurance, the other firms are actively planning the implementation of ecological insurance program. There also was a situation when one firm producing chemical fertilizers released HCl and poisoned the agricultural lands nearby. The insurance company “Wealth” was able to pay 120 farmers compensation for pollution and ecological damage. In such a way the economic conflicts were solved and social misunderstandings dismissed.

The State Department on Environmental Protection has a plan of how to improve current system of ecological insurance in China up to 2015. The new system of “Green insurance” should include methodological approaches on how to deal with pollution risk assessments, ecological liability and damage compensation scheme.